

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

Marathon Asset Management, LP

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March 20, 2020

This brochure provides information about the qualifications and business practices of Marathon Asset Management, LP (together, with its relying adviser affiliate, the “**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Christine Chartouni, at (212) 500-3179 or cchartouni@marathonfund.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about us also is available on the SEC’s website at www.adviserinfo.sec.gov.

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”). Our registration under the Investment Advisers Act does not imply any level of skill or training.

ITEM 2

MATERIAL CHANGES

On March 28, 2019, we filed the previous version of this brochure. The following material changes have been made since the last filed update:

- Items 4 and 10 have been updated to reflect the Adviser's current relying adviser relationships.
- Item 5 has been updated to enhance disclosures regarding the Adviser's expense allocation practices.
- Item 8 has been updated to include certain additional risk factor disclosures.

In addition to the material changes described above, non-material changes were made to this brochure which are not discussed in this summary. Consequently, we encourage you to read the brochure in its entirety.

Our current brochure may be requested, free of charge, by contacting our Chief Compliance Officer, Christine Chartouni, at (212) 500-3179 or cchartouni@marathonfund.com.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a Delaware limited partnership, founded in January 1998.

We provide investment advisory services to privately offered pooled investment vehicles (each, a “**Fund**,” and collectively, the “**Funds**”) and separately managed accounts on behalf of institutional investors (the “**Accounts**,” and, together with the Funds, “**Clients**”), typically pursuant to an investment management agreement or similar document (an “**IMA**”) under which the Adviser is granted discretion to trade the Client’s account without obtaining the Client’s consent to each particular transaction (subject to the investment policies and restrictions, if any, imposed by the Client in an IMA). In addition, the Adviser serves from time to time as (i) a sub-adviser to one or more funds registered as investment companies (“**Registered Funds**”) with the SEC under the Investment Company Act of 1940, as amended (the “**1940 Act**”), (ii) a sub-adviser to one or more open-ended investment companies (“**UCITS Funds**”) authorized pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities (“**UCITS**”)) Regulations, 2011, as amended (the “**EC Regulations**”) and, (iii) in limited circumstances, provides non-discretionary investment advice to Clients. The Adviser also serves as the collateral manager to certain collateralized loan obligation vehicles (“**CLOs**”).

We anticipate advising other Clients similar to those set forth above from time to time. The Fund and Accounts that we advise are diverse. They are structured in various manners (including, without limitation, long-only funds, thematic multi-year drawdown structures, open-ended hedge funds and separately managed accounts), may invest in overlapping or differing positions as other Clients and are subject to differing fee, liquidity and other terms. As a result, we may be subject to certain conflicts of interests in managing such different Clients as further described in this brochure. We operate under basic policies and principles applicable to the conduct of our investment advisory business that are designed to mitigate such conflicts of interest and ensure our compliance with applicable laws. These policies and principles are based upon general concepts of fiduciary duty and the specific requirements of the Investment Advisers Act, the rules and regulations promulgated thereunder, and other applicable laws and regulations.

MCAP Global Finance (UK) LLP (the “**relying adviser**” and together with any affiliated entity formed in the future performing similar functions, the “**relying advisers**”), files a single Form ADV with Marathon Asset Management, LP. The relying adviser is identified on Schedule R of our Form ADV Part 1. In addition, we have established, and may in the future establish, wholly-owned entities to provide non-investment advisory services in connection with our advisory business, such as marketing or accounting and administrative support.

Our principal owners are Bruce Richards, co-Founder, President and Chief Executive Officer; and Louis Hanover, co-Founder, and Chief Investment Officer of the Adviser.

Blackstone Strategic Capital Holdings Fund, a vehicle managed by Blackstone Alternative Asset Management, owns a passive, minority interest in the Adviser. Bruce Richards and Louis

Hanover continue to maintain autonomy over the Adviser's day to day business management, operations, and investment processes.

B. Description of Advisory Services

As an investment adviser, we provide portfolio management services to our Clients. We are responsible for sourcing potential investments, conducting research and due diligence on potential investments, analyzing investment opportunities, structuring investments and monitoring investments on behalf of our Clients. We generate all of our advisory billings from these types of investment advisory services.

We implement a variety of strategies in the global credit and fixed income markets. We do not limit the type of investment advisory services we offer and there are no material limitations to the types of securities in which we may invest on behalf of our Clients. We advise Clients in pursuing a variety of investment objectives and approaches including, without limitation: long-only, index-based, global corporate credit (including, high yield bonds, senior secured bank loans, special situations, dislocated credit and distressed credit), structured credit (including CLOs), emerging markets credit (namely, emerging market sovereign credit and emerging market corporate credit), asset-based lending (including pharmaceutical royalties), specialty assets (such as aircraft and large equipment leasing) and real estate. Subject to any investment guidelines or restrictions applicable to a particular client, we are permitted to invest in any security and any sector of the market to carry out the overall objectives of our Clients. Our investment objectives, strategies and policies are expected to evolve materially over time. We typically have complete flexibility to create or organize or otherwise utilize special purpose subsidiaries or other special purpose investment vehicles, swaps or other derivatives or structured products on behalf of our Clients. Any relationship between the Adviser and a Registered Fund will be governed by a written contract (a "**Sub-Advisory Agreement**") approved by the vote of a majority of the Registered Fund's outstanding voting securities as set forth in Section 15 of the 1940 Act. Any relationship between the Adviser and a UCITS Fund will be governed by a written contract (a "**Sub-Discretionary Advisory Agreement**"). In managing the collateral of the CLOs that we advise, we are typically subject to restrictions set forth in the governing documents of such CLOs.

C. Availability of Customized Services for Individual Clients

We tailor our advisory services to the individual needs of our Clients that are not Funds. The Client's IMA, each Fund's private placement memorandum (a "**PPM**"), or other Fund documents provide more detailed descriptions of each Client's investment objectives and may contain investment guidelines, policies, or restrictions.

In addition, the Adviser is permitted to enter into arrangements with certain Clients (or underlying investors) that in each case provide for terms of investment that are more favorable to the terms provided to other Clients (or underlying investors). Such terms include the waiver or reduction of management and/or incentive fees, the provision of additional information or reports, more favorable transfer rights, and more favorable liquidity rights. As noted above, any relationship between the Adviser and a Registered Fund will be governed by a Sub-Advisory Agreement and the relationship between the Adviser and a UCITS Fund will be governed by a Sub-Discretionary Advisory Agreement. Also as described above, our collateral management

services on behalf of our CLOs are governed by the relevant collateral management agreement and the governing documents of each CLO.

D. Wrap Fee Programs

We do not participate in a wrap fee program.

E. Assets Under Management

As of December 31, 2019, we had approximately \$21,258,181,228 in Client regulatory assets under management on a discretionary basis and \$832,288,339 in Client regulatory assets under management on a non-discretionary basis. The amount of Client regulatory assets under management includes the value of CLOs, securitizations and committed capital.

ITEM 5

FEES AND COMPENSATION

A. Advisory Services and Fees

While the management and performance fees vary by Client, our basic fee schedule is as follows: the Adviser generally receives management fees based on net assets under management (generally from approximately 0.30% to 2.00% annually, depending on the Fund or Account) and an incentive or performance fee generally of up to 20% of the account's profit or cash distributions, if any, charged to each Client subject in certain cases to a loss carry forward provision or a preferred return hurdle. For certain Clients, we do not receive an incentive or performance fee; for other Clients we may receive a higher incentive or performance fee. In addition, we from time to time negotiate lesser or different fee schedules for particular Clients (or underlying investors) based on a variety of factors, including the nature of the investments, the size of the account or the length of a Client's or investor's commitment. For CLOs, we typically receive a collateral management fee and may receive additional performance-based compensation based on the cash distributions made by the CLOs. We structure any performance or incentive fee arrangement in accordance with Section 205(a)(1) of the Investment Advisers Act and the rules and regulations promulgated thereunder, including the exemption set forth in Rule 205-3 permitting performance fee arrangements with "qualified clients."

For the services provided and the expenses assumed by the Adviser pursuant to a Sub-Advisory Agreement, it is expected that the primary adviser of the relevant Registered Fund will pay to the Adviser a fee, computed daily and payable monthly, in arrears, at an annual rate of the average daily net assets of the portion of the Registered Fund that the Adviser sub-advises, in accordance with the Sub-Advisory Agreement.

For the services provided and the expenses assumed by the Adviser pursuant to a Sub-Discretionary Advisory Agreement, the primary adviser of the relevant UCITS Fund pays to the Adviser a fee agreed upon between the Adviser and the primary adviser from time to time.

B. Payment of Fees

The IMAs, PPMs or other Fund documents, govern the terms of compensation and the manner in which we charge fees to each Client. Subject to the terms of IMAs, PPMs or other Fund documents, Clients are either billed directly for fees or authorize us to deduct fees directly from the Client's account. We directly deduct our fees from the Funds. Our management fees are paid quarterly or monthly, in advance or arrears, depending on the Client, based on beginning or ending net assets at the end of each month or quarter. Incentive fees are generally paid annually in arrears or upon cash distributions. Fees will be prorated for partial periods.

C. Additional Expenses and Fees

Our fees are exclusive of other charges, fees, and expenses which are paid by Clients. Such expenses are set forth in the IMAs, PPMs or other documents. As a general matter such expenses include, among other things: external (i.e., third party) legal, audit, tax preparation, accounting, operational, administrative, insurance, regulatory and research fees and expenses; technology expenses; investment expenses such as commissions; regulatory filing fees; direct fees and

expenses, such as legal fees, travel and due diligence expenses, related to the analysis, purchase or sale of investments, whether or not a particular investment is consummated; interest on margin accounts and other indebtedness; borrowing costs (including charges on securities sold short); custodial fees; and any other expenses reasonably related to the purchase, sale or transmittal of Clients' assets. These charges, fees, and expenses are exclusive of and in addition to our management and incentive fees. We do not receive any portion of these charges, fees, and expenses and shall not receive a brokerage commission or other compensation attributable to the sale of a security or other investment product. For an in-depth discussion of the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see Item 12(A), "Brokerage Practices, Selection of Broker-Dealers and Reasonableness of Compensation," below.

Certain Clients also reimburse the Adviser for certain of its internal research, operations, administrative, technology or asset management expenses incurred by the Adviser in connection with performing services for such Clients ("**Research/Ops Expenses**"). Research/Ops Expenses that are charged to Clients are disclosed or set forth in the IMAs, PPMs or other documents applicable to such Clients and may be subject to certain annual caps as a percentage of assets under management. While the amount of Research/Ops Expenses charged to Client Accounts that are subject to such expenses will not exceed any applicable cap, such Client Accounts may from time to time bear a greater proportion of the Adviser's overall Research/Ops Expenses (as a function of the Adviser's overall assets under management) depending on the mix of Client Accounts managed by the Adviser or the complexity of the work performed for various Client Accounts.

The Adviser allocates expenses incurred on behalf of multiple Clients in a manner in which it determines to be fair and equitable. Expense allocations are generally made based on the Adviser's good faith assessment regarding which Clients benefitted or will benefit from incurring the given expense. Expenses may be allocated based on the pro rata ownership of Client Accounts in an investment opportunity or the relative net asset value or committed capital of the relevant Client Accounts or may be allocated equally among Clients or among business lines (and then to the Clients being advised by such business lines). In addition, the Adviser may take into consideration other factors it determines to be relevant to the allocation decision in its sole discretion. Such other factors may include, but are not limited to, the gross market value of the Client Accounts, the time and resources dedicated to each investment and the Clients Accounts' respective life cycle stages and capital flows. Notwithstanding the foregoing, expenses related to certain services, products or resources may be allocated only to, or in greater percentage to, specific business lines, strategies or Clients, even if other Clients may also derive some benefit from such service, product or resource, if the Adviser determines that the expense is essential to such business lines, strategy or Clients and is being acquired specifically for them. Similarly, in cases where investment expenses have been incurred in respect of an investment that was made on behalf of one or more specific Clients, other Clients who are participating in excess capacity in such investment may not bear any portion of such investment expenses. Expense allocation determinations involve assumptions, estimates and projections and depend on the subjective judgment of the Adviser in assessing actual or potential benefits received by each Client Account. While the Adviser will allocate expenses in good faith in accordance with its expense allocation policies and procedures, there can be no assurance that any expense will be allocated in a particular manner and there may be alternative allocations of expenses that may also be reasonable. There will be times when expense are not allocated on a pro rata basis within a strategy but, in any event,

will not exceed any legal caps, if applicable. Research/Ops Expenses will be allocated in respect of Client Accounts as described in the previous paragraph.

The Adviser or an affiliate of the Adviser may earn fees for providing origination services in connection with certain Client assets. Any market rate fees for such origination services earned by the Adviser and its affiliates will be paid to the Clients involved in such transactions.

The expenses borne by a Registered Fund are set forth in the relevant Sub-Advisory Agreement and the other governing documents of the Registered Fund.

The expenses borne by a UCITS Fund are set forth in the relevant Sub-Discretionary Advisory Agreement and the other governing documents of the UCITS Fund.

The expenses borne by a CLO are set forth in the relevant governing documents of the CLO.

D. Prepayment of Fees

For certain Funds and Accounts, Clients may choose to pre-pay fees in advance. If a Client (or underlying investor) pre-pays a fee and then terminates its advisory contract before the end of the billing period, the Client may obtain a refund by contacting the Adviser or the refund will automatically be credited to the Client (or underlying investor) as specified in the relevant IMA or Fund document. The amount of the refund is prorated for the partial period.

E. Additional Compensation and Conflicts of Interest

We do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products and our personnel do not receive such compensation.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While the specific terms vary by Client, as a general matter we receive a management fee and may receive a performance-based fee from our Clients for our advisory services. We do not charge any Clients another type of fee, such as an hourly or flat fee. For a more detailed discussion of our performance or incentive fees, please see Item 5, “Fees and Compensation,” above.

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may recommended under a different fee arrangement. In the allocation of investment opportunities, performance-based fee arrangements may also create (i) an incentive for us to favor Clients with performance or incentive fee arrangements over Clients that are not charged, or from which we will not receive, a performance fee; and (ii) an incentive for us to favor Clients from which we will receive a greater performance fee over Clients from which we will receive a lesser performance fee.

We have adopted Policies and Procedures regarding Aggregation and Allocation of Investments (the “**Allocation Procedures**”) designed to ensure that all of our Clients are treated fairly and equitably over time and to prevent this form of conflict from influencing the allocation of investment opportunities among our Clients. As a general matter, we will offer Clients the right to participate in investment opportunities that we determine are appropriate for the Client in view of relative amounts of capital available for new investments, each Client’s investment program, and the then current portfolios of our Clients at the time an allocation decision is made. As a result, in certain situations priority or weighted allocations can be expected to occur in respect of certain accounts, including but not limited to situations where Clients have differing: (A) portfolio, diversification targets, or concentrations with respect to geography, asset class, issuer, sector or rating, (B) investment restrictions, (C) tax or regulatory limitations, (D) leverage limitations or volatility targets, (E) ramp up or ramp down scenarios or (F) counterparty relationships.

In accordance with our Allocation Procedures, we will endeavor to treat each of our Clients in a fair and equitable manner over time. For a more detailed discussion, please see Item 12(B), “Aggregating Orders for Various Client Accounts,” below.

ITEM 7

TYPES OF CLIENTS

We currently provide investment advisory services to private investment funds and institutional managed accounts that are offered to high net worth financially sophisticated individual and institutional investors. Our investment advisory services are generally intended for investors who would qualify as a “qualified purchaser” as defined in Section 2(a)(51)(A) of the 1940 Act, including insurance companies, endowments, trusts and estates, governmental agencies, other financially sophisticated institutional and individual investors and commingled investment vehicles. We also from time to time serve as the sub-adviser to Registered Funds or to UCITS Funds. In addition, we serve as a collateral manager to certain CLOs.

The minimum account size necessary to open and maintain an account with us varies by Client, type of Client and relevant strategy. In general, we have set a minimum investment of \$100,000 to \$100,000,000 (depending on the Account or the Fund), but we may require a different amount, or waive the minimum investment, depending on a variety of factors, such as a particular Client’s circumstances or investment strategies. The minimum account size, if any, (i) by a Registered Fund is specifically negotiated by the Adviser and the Registered Fund and (ii) by a UCITS Fund is specifically negotiated by the Adviser and the UCITS Fund.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

While our methods of analysis and investment strategy varies to some extent for each Fund or Account, in general, we focus on investing in the global credit and fixed income markets. Credit selection is based on our bottom-up fundamental research, capital structure and situational expertise. We pursue a highly integrated, research-intensive approach utilizing synergies across our platform. We seek to identify and take advantage of opportunistic and situational investments in global corporate credit, including high yield, leverage loans and non-investment grade credit, commercial real estate mortgages, structured credit and global debt opportunities, including emerging markets debt. With respect to certain of our Clients, we seek to generate attractive risk-adjusted returns by focusing on the origination of high-yielding real estate loans and the acquisition of distressed real estate debt, typically secured by middle market and/or transitional properties in need of capital in the U.S. With respect to certain of our other Clients, our investment strategy is to identify and take advantage of opportunistic and situational investments in the debt or other obligations of European corporations, financial institutions and European sovereign nations. We also make investments in certain specialized asset classes, such as aircraft or shipping finance and health care royalties. Other Clients pursue strategies that seek to outperform specific debt indices. Our investment guidelines with respect to (i) a Registered Fund are set forth in the relevant Sub-Advisory Agreement and (ii) a UCITS Fund are set forth in the relevant Sub-Discretionary Advisory Agreement.

Overall, our investment approach generally draws on a number of underlying disciplines and strengths, including:

- Fundamental bottom-up credit analysis;
- Credit trading and execution capabilities;
- Work-out and restructuring expertise;
- Risk management discipline;
- Network of business relationships;
- Asset management experience;
- Significant history of investing and managing capital over multiple economic cycles;
- Historical utilization of low levels of leverage; and
- Commitment to best-in-class infrastructure and financial controls.

We have the flexibility and expertise to invest anywhere in the capital structure, including securities, loans and structured products.

B. Risk of Loss

Investing with us involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that Clients will achieve their investment objective. An investment with the Adviser carries with it the inherent risks associated with investments in corporate debt and other securities and instruments, as well as additional risks, including, but not limited to, risks associated with turmoil in the financial markets, investments in non-investment grade or distressed companies, the use of swaps, futures, options, hedging and short sale trading strategies, counterparty or prime broker risk, and investments in non-U.S. securities, among other risks. Clients should carefully review this brochure, the relevant Fund's PPM and any other operative agreements before deciding to invest with the Adviser. Risk factors relevant to (i) a Registered Fund are set forth in the Registered Fund's governing documents and (ii) a UCITS Fund are set forth in the UCITS Fund's governing documents. Risk factors relevant to CLOs are listed in the relevant CLO's offering circular.

Investing in securities involves risk of loss that our Clients (and their underlying investors) should be prepared to bear. While many of the strategies employed by the Adviser do not involve frequent trading of securities, certain strategies employed by the Adviser may involve frequent trading of securities. For those strategies, the frequent trading may affect investment performance through increased brokerage and other transaction costs and taxes.

Risk Factors

In addition to the general risks described above, we believe that Clients and their underlying investors should be aware of the risk factors delineated below. These risk factors are not a complete explanation of all the risks that are relevant to Clients and underlying investors contemplating an investment with us. Clients and their underlying investors should read this brochure, any IMA, the Fund's or Account's organizational and offering documents and the documents and materials referred to in this brochure before determining to invest with us. Such documents typically set forth additional risks that are specific to that Fund's or Account's investment program.

Corporate Debt Obligations. We invest in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). We may intend to actively expose Clients to credit risk. However, there can be no guarantee that we will be successful in making the right selections and thus fully mitigate the impact of credit risk changes on Clients.

Debt Securities. We direct certain Clients to take positions in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Certain positions in debt securities that our Clients take are not protected by financial covenants or limitations on additional indebtedness. We invest certain Clients in securities which are moral obligations of issuers or subject to appropriations. Clients will therefore be subject to credit and liquidity risks.

Distressed Securities. We invest certain Clients in “distressed securities” (e.g., debt, equity, private claims and obligations of domestic and foreign entities experiencing significant financial difficulties, such as loan participations and assignments, trade claims and similar instruments), and Clients may be exposed to significant risks. Among these risks are: (i) the difficulty in obtaining information as to the issuer’s true condition; (ii) regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; (iii) market risk; (iv) litigation risk; (v) liquidity risk; and (vi) at times, collection risk (especially, with respect to sovereign debt). Moreover, to the extent a Client invests in distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of our control. Distressed investments may also be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. In addition, distressed investments may be adversely affected by numerous uncertainties related to out-of-court restructurings and exchange offerings. Furthermore, the market prices of distressed instruments are highly volatile, and the spread between the bid and asked prices of such instruments are often unusually wide.

Special Situations. We invest certain Clients in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies, restructurings, exchange offers or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to our Clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which we may invest, there is a potential risk of loss by Clients of their entire investment in such companies.

High Yield Securities. We invest certain Clients in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis,

may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Leverage; Availability of Credit; Interest Rates; Margin. Subject to the IMAs and the Funds' operative documents, we may cause Clients to borrow funds from brokerage firms and banks in order to be able to increase the amount available for investments. In addition, we may in effect borrow funds through entering into repurchase agreements, and may purchase or sell options, forwards and other derivative instruments. The amount of borrowings which Clients may have outstanding at any time may result in a margin call forcing the sale of such asset. Leverage also has the effect of magnifying both profits and losses compared with unleveraged positions.

There can be no assurance we will be able to maintain adequate financing arrangements under all market circumstances. In an unsettled credit environment, we may find it difficult or impossible to maintain leverage for our Clients. The financing available to our Clients from banks, dealers, and other counterparties typically will be severely restricted in disrupted markets. Any such restriction would likely result in substantial losses to Clients, despite its primary reliance on more long-term structured financings. In addition, any leverage obtained, if terminated on short notice by the lender, could result in our being forced to unwind positions quickly and at prices below what we deem to be fair value for the positions.

Credit Default Swaps. We invest certain Clients in credit default swaps. A credit default swap is a contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the "par value" (full notional value) of the reference obligation. The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. Clients may be either the buyer or seller in the transaction. If the Client is a buyer and no credit event occurs, the Client may lose its investment. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Client receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations.

Credit default swaps involve greater risks than if Clients had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk of the counterparty. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Client. Counterparty risk may also result in a loss if the counterparty fails (e.g., Lehman Brothers).

Foreign Investment. We invest our Clients in the securities and other instruments of issuers located in non-U.S. jurisdictions. Such investment involves certain risks and

special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political instability including war; (iii) dependence on exports and the corresponding importance of international trade and commodities prices; (iv) less liquidity of securities markets; (v) currency exchange rate devaluations and fluctuations; (vi) potentially higher rates of inflation (including hyper-inflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and our ability to exchange local currencies for U.S. dollars; (viii) a higher degree of governmental involvement in and control over the economies; (ix) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about economies and issuers; (xi) less extensive regulatory oversight of securities markets; (xii) longer settlement periods for securities transactions; (xiii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; (xiv) certain consequences regarding the maintenance of Client portfolio securities and cash with sub-custodians and securities depositories in emerging market countries; and (xv) liquidity risk. All of the foregoing factors lead to greater market volatility.

Currency Risks. We invest certain Clients in investments that are denominated in a non-U.S. currency, which are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. An increase in the value of the U.S. dollar compared to the other currencies in which we make our investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of Clients' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of Clients' non-U.S. dollar denominated securities. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Sovereign Debt. We invest certain of our Clients directly and indirectly through derivative instruments (including swaps and credit default swap indices) in sovereign debt instruments. The issuers of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and our Clients may have limited recourse in the event of a default. A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the sovereign debtor's policy toward international lenders and the political constraints to which a sovereign debtor may be subject. Furthermore, such entities may be entitled to claim sovereign immunity from any claims made against them should they default on any of their obligations under such loans. This may hinder, or prevent entirely, the recovery of any loss suffered as a result of such default.

Credit Risk of Investment Grade and Non- or Lower-Rated Securities. Certain Clients' investment portfolios in fixed income securities consist of both investment grade securities, rated Baa or higher by Moody's or BBB or higher by S&P, and lower-rated securities, rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, of comparable quality). Securities rated lower than Baa by Moody's or lower than BBB by S&P are sometimes referred to as "high yield" or "junk" bonds. Securities rated Baa are considered by Moody's to have some speculative characteristics. Higher-rated and lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of the Clients' portfolio. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market. Furthermore, higher-rated securities also carry credit risk because they run the risk of a down grading if their credit deteriorates. Finally, rating agencies may re-rate securities, which could cause substantial loss as the ratings are downgraded.

The use of credit ratings as the sole method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was rated.

Risks Relating to an Originator's Involvement in a Bankruptcy Proceeding. If any of the originators from which we may acquire a pool of loans for Clients becomes a debtor under Title 11 of the United States Code (the "**Bankruptcy Code**") prior to the transfer of servicing on the loans, there could be delays in completing the transfer of servicing, which might have a negative effect on Clients' portfolios. In addition, if an originator becomes a debtor under the Bankruptcy Code, the transfer of the pool of loans and related servicing could be challenged by a bankruptcy trustee (or the originator as debtor in possession) which would cause additional expenses and delays and might have a negative effect on the Clients' portfolios.

Structured Finance Securities. We invest certain Clients in structured finance securities such as, for example, equipment trust certificates, collateralized debt obligations ("CDOs"), collateralized mortgage obligations, collateralized bond obligations, CLOs or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which we invest Clients and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in

structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Moreover, a rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that Clients may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which we may be authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

CDOs and CLOs. Our Clients' investments in CDOs and CLOs will be frequently subordinate in right of payment to other securities sold by the applicable CDO or CLO and will not be readily marketable. Depending upon the default rate on the collateral of the CDO or CLO, Clients may incur substantial losses on their investments. In addition, when Clients sell securities or assets held by them to a CDO or CLO, Clients may not receive any residual interest in such CDO or CLO so that any profits that Clients might have recognized on such securities or assets will no longer inure to the benefit of our Clients. The market value of CDOs and CLOs will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The performance of CDOs or CLOs will be adversely affected by macroeconomic factors, including the following: (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) concerns about financial performance, accounting and other issues relating to various publicly traded companies; and (iv) recent and proposed changes in accounting and reporting standards and bankruptcy legislation. In addition, interest payments on CDOs or CLOs (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the collateral underlying a CDO or CLO security are insufficient to make payments on the CDOs or CLOs, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the CDO or CLO issuer to pay such deficiency will be extinguished. CDOs and CLOs (particularly the subordinated interests) may provide that, to the extent funds are not available to pay interest, such interest will be deferred or paid "in kind" and added to the outstanding principal balance of the related security. Generally, the failure by the issuer of a CDO or CLO security to pay interest in cash does not constitute an event of default as long as a more senior class of securities of such issuer is outstanding and the holders of the securities that have failed to pay interest in cash (including Clients) will not have available to them any associated default remedies.

Risks Related to RMBS. We invest certain of our Clients' assets in residential mortgage-backed securities ("RMBS"). Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and such securities issued may be guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Risks Related to CMBS. We invest certain of our Clients in collateralized mortgage-backed securities ("CMBS"). Collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. We will invest such Clients directly in CMBS as well as derivatives referencing CMBS as well as other structured securities. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS. The owner of CMBS does not have a contractual relationship with the borrowers of the underlying commercial mortgage loans.

Risks Related to ABS. We invest certain of our Clients in asset-backed securities ("ABS"). ABS are subject to interest rate risk and, to a lesser degree, prepayment risk. ABS are subject to additional risks in that, unlike mortgage-backed securities, ABS may not have the benefit of a security interest in the related collateral (e.g., credit cards, student loans). Each type of ABS also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. ABS typically experience credit risk. For example, there is an increasing supply of subordinated securities rated lower than AA (down to B or first loss) and senior securities that may be rated lower than AAA, as well. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Counterparty and Settlement Risk. Our Clients take a risk with regard to defaults by the parties with whom we trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It may not always be possible for the securities and other assets deposited with custodians or brokers to be clearly identified as being assets of Clients and Clients may be exposed to a credit risk in those situations. In addition, there may be practical or time problems associated with enforcing Clients' rights to their assets in the case of an insolvency of any such party. In valuing derivative instruments, it is anticipated that we will typically rely on quotes or other information provided by counterparties. Such values may not be fully realized upon the dispositions of such derivative instruments.

Custody and Prime Brokerage Risk. There are risks involved in dealing with the custodians or prime brokers who settle our Clients' trades. We maintain a custody account with our prime broker and primary custodian (the "**Prime Broker**"). Although we monitor the Prime Broker and believe that it is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that we may use from time to time, will not become bankrupt or insolvent. While both the Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, Clients would not incur losses.

We and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold Client assets. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by Clients as a result of the bankruptcy or insolvency of any such sub-custodian. Clients may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to Clients. Under certain circumstances, including certain transactions where Client assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where Client assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of Clients and hence Clients could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of Clients to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as Clients may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Clients' rights to its assets in the case of a bankruptcy or insolvency of any such party.

Short Sales. We engage certain Client accounts in short sale transactions. Short sale transactions expose Clients to the risk of loss in an amount greater than the initial investment and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by Clients in connection with a short sale would need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests a “short squeeze” can occur, wherein Clients might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Market Risks. The profitability of a significant portion of our Clients’ investment program depends to a great extent upon correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that we will be able to predict accurately these price movements and, given volatility, Clients may incur substantial risk.

Market Disruptions. Events such as domestic and international political instability, terrorism, natural disasters and/or disease pandemics may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Adviser on behalf of Clients.

Sanctions. The Adviser is subject to laws that restrict it from dealing with entities, individuals, organizations and/or investments which are subject to applicable sanctions regimes. Should any investment made on behalf of a Client subsequently become subject to applicable sanctions, the Client may immediately and without notice to investors cease any further dealings with that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings.

Government Regulation of Investments. We invest certain Clients in instruments listed on both U.S. and non-U.S. securities and futures exchanges, as well as in “over-the-counter” instruments issued by broker-dealers and other financial counterparties. Instruments listed on exchanges are generally subject to restrictions and regulation by government and/or self-regulatory organizations in the country in which such instruments are traded. Over-the-counter transactions with broker-dealers and other financial counterparties generally are entered into with counterparties regulated by government regulatory bodies and/or self-regulatory organizations in the countries in which such counterparties operate, but the specific instruments acquired pursuant to over-the-counter transactions may not be registered or subject to specific regulation.

The regulatory environment for asset managers is evolving, and changes in the regulation applicable to the asset management industry may adversely affect the value of investments held by Clients and our ability to pursue our strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is

subject to modification by government and judicial actions. The effect of any future regulatory change on us or our Clients could be substantial and adverse.

Political Uncertainty. Some of the results of recent elections and referenda in the United States, the United Kingdom, Italy and other developed market countries have been unexpected and resulted in material market changes and increases in market uncertainty. Given changes in administrations and applicable law following these votes, the future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on, or alternatively create investment opportunities for, Clients.

COVID-19. The recent global outbreak of Coronavirus (or Covid-19) is currently creating unprecedented economic and social uncertainty throughout the world. The ultimate impact of the Coronavirus outbreak is difficult to predict, but it is likely that Coronavirus will have a materially adverse impact on global, national and local economies in the immediate future and that such negative impact is likely to persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, “social distancing” practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact our Clients’ investments. Similar disruptions may occur in respect of our service providers and counterparties (including providers of financing), which could also negatively impact Clients. While there are early indications of various governmental responses to the potential negative effects of Coronavirus, it is unclear how effective these responses will be and what other impacts such responses may have on the overall performance of markets or our Clients.

LIBOR Transition. LIBOR (the London Interbank Offered Rate), of different durations, has long been the standard “benchmark” rate used to determine the interest rates for a wide range of credit instruments as well as derivatives. However, in July 2017 the UK Financial Conduct Authority (the “FCA”) announced that after 2021 it would no longer recommend or compel the LIBOR panel banks to provide the quotes used to calculate LIBOR. The FCA determination was based, among other factors, on unexpected illiquidity which developed during certain periods in the interbank lending markets resulting in LIBOR becoming unusually volatile.

In anticipation of LIBOR ceasing to be available after 2021, the pace at which a number of different countries and credit market sectors are at work to develop alternative interest rate benchmarks has accelerated. Which, if any, replacement benchmarks will be accepted cannot be predicted with certainty. Similarly, it is impossible to predict with certainty the consequences for existing instruments of having to switch from LIBOR to an alternative interest rate benchmark (if one can be determined). Furthermore, during the period when new benchmarks are proposed but not yet widely accepted, the likelihood of such benchmarks themselves being subject to periods of illiquidity, contributing to their also being excessively volatile will increase.

Not only are there currently many outstanding LIBOR-based instruments which will remain outstanding past 2021, but also new LIBOR-based instruments will continue to be

issued, and reference rate fallback language in such instruments ultimately may not provide clear answers as to what to do in the event of the discontinuance of LIBOR. The uncertainty as to what replacement benchmark rates will emerge may result in increasing uncertainty and illiquidity in the debt markets in which our Clients trade, as well as having adverse effects on the broader financial markets and the instruments held by our Clients. The consequences to Clients cannot be predicted but could be material and adverse.

Economic and Regulatory Climate. Changing markets and economic conditions and other factors, such as changes in federal or state tax laws, federal or state securities laws or accounting standards, may make certain mortgage related transactions less desirable or may make the investment activities engaged in by us, less profitable or unprofitable.

Temporary Defensive Investments. In times of unusual or adverse conditions, for temporary defensive purposes, we are permitted to invest Clients outside the scope of our principal investment focus. Under such conditions, we may invest without limit in money market and other investments and may not invest in accordance with our investment objective or investment strategies and, as a result, may not achieve our investment objectives.

Importance of Market Judgment. The market judgment and discretion of the Adviser's personnel are fundamental to the implementation of many of the strategies we implement on behalf of Clients. The Adviser believes that our investment and research teams have considerable expertise in the sectors in which we invest, but there is no means of predicting whether they will successfully deploy our Clients' capital, especially during changing economic conditions.

Illiquidity of Investment with the Adviser. Because of the limitation on withdrawal and transfer rights and the fact that interests in Funds or Accounts are not tradable, Clients' (and their underlying investors') investments are relatively illiquid and involve a high degree of risk. We will not register any security pursuant to the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and we have no plan and are under no obligation to register the securities under the Securities Act. Investing with us should be considered only by persons financially able to maintain their investment and who can afford the loss of all or a substantial part of such investment.

Lack of Liquidity of Assets. Certain Client's portfolios include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. Therefore, there can be no assurance that a secondary market for any such security will develop, or if a secondary market does develop, that it will provide such securities with liquidity of investment. Consequently, such Clients (i) may have to hold such securities for an indefinite period of time or until the stated maturity of the security, or (ii) may be able to sell any such investments, but only at substantial discounts, and it may be extremely difficult to accurately value any such investments, and in such case, can take a reserve against such asset which would impact net asset value. Although we will attempt to buy and sell "liquid" assets in the credit market, this market can become increasingly more

“illiquid” and, at times, “frozen”. While our objective is to avoid such occurrences, there is the possibility that “liquid” investments will become “illiquid” and result in losses.

Investment Flexibility. The IMAs and operative documents of the Funds have given us broad and flexible investment authority as a general matter. In particular, we are not required to invest any particular percentage of our Clients’ portfolio in any type of investment, sector or region, and the amount of our Clients’ portfolio which is invested in any type of investment, which is long or short, or which is weighted in different countries or different sectors can change at any time based on the availability of attractive market opportunities. Accordingly, at any time, we may have significant investments in strategies, sectors or instruments not specifically described herein and which therefore present risks which are not specifically described herein.

Unrelated Business Taxable Income for Certain Tax-Exempt Investors. Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize “unrelated business taxable income” as a result of an investment with us since it is anticipated that Clients may engage in margin borrowing. Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment with us on its own tax situation.

Loan Participations and Assignments. We may invest our Clients in loans acquired through assignment or participations. In purchasing participations, there will usually be a contractual relationship only with the selling institution, and not the borrower. There generally will not be any right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. Our Clients may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of setoff the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, our Clients may be treated as general creditors of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the secured loan. Consequently, Clients may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Interest Rate Risk. Clients are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. We may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no expectation nor

guarantee that we will be successful in fully mitigating the impact of interest rate changes on the portfolios.

General Risks of Lending and Loan Origination.

On behalf of certain Clients, we originate loans to, or purchase assignments of or participations in loans made to, various issuers, including distressed companies. Such investments may include senior secured, junior secured and mezzanine loans and other secured and unsecured debt that has been recently originated or that trade on the secondary market. The value of a Client's investment in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. As a general matter, we will attempt to minimize the risk by maintaining low loan-to-liquidation values, with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by us to collateral underlying a loan of a Client can be realized upon liquidation, nor can there be any assurance that collateral will retain its value.

In addition, certain loans will be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, loans may also be supported by collateral, the value of which may fluctuate. In addition, active lending/origination by a Client may subject it to additional regulation, as well as possible adverse tax consequences to such Client and its underlying investors. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

Options. We invest certain Clients in put and call options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause an investor's asset value to be subject to more frequent and wider fluctuations than would be the case if the investor did not invest in options.

Upon the exercise of a put option written by an investor on securities, the investor may suffer a loss equal to the difference between the price at which the investor is required to purchase the underlying securities and their market value at the time of the option exercise, less the premium received from writing the option. Upon the exercise of a call option on securities written by the investor, the investor may suffer a loss equal to the excess of the market value of the securities at the time of the option's exercise over the investor's acquisition cost of the securities, less the premium received from writing the option.

No assurance can be given that we will be able to effect closing transactions at a time when we wish to do so. If we cannot enter into a closing transaction, we may be required to hold securities that we might otherwise have sold, in which case there would continue to be

market risk on the securities and there could be higher transaction costs, including brokerage commissions, upon the sale of the securities.

Trading in Commodity and Futures Contracts. We invest certain Clients in commodity and futures contracts. Trading in commodity and futures contracts and options thereon are highly specialized activities which while they may increase the total return of Clients' investments, may entail greater than ordinary investment risks.

Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, we could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the commodity or futures contract underlying an option cannot be predicted and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Convertible Securities. We invest certain Clients in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase, and, conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Risk Related to Benchmarked Strategies

Benchmark and Markets Could Decline Substantially. Certain of our Clients will employ strategies that aim track and outperform a specified index (a "Benchmark"). There can be no assurance that the markets or groups of securities that are included in the Benchmark will not experience declines in values and remain subject to such reduced values for a substantial period. If a Client employs leverage, such declines may be magnified by a Client's use of leverage. In the

event of a substantial downturn in such markets, the returns of such Client would be reduced or even eliminated.

Risks Related to Real Estate Investments

General Real Estate Risks. We invest certain of our Clients in real estate or real estate-related loans or securities. Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by our Clients' properties as well as the expenses incurred in connection therewith. If any of the Clients' properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, our Clients' interest could be adversely affected. Income from, and the value of, our Clients' properties may be adversely affected by the general economic climate, local conditions such as oversupply, or a reduction in demand for such properties in the areas in which they are located, the attractiveness of our Clients' properties to potential tenants, competition from other properties, our Clients' ability to provide adequate maintenance and insurance and increases in operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, and are also affected by interest rate levels and the availability of financing. Our Clients' income would be adversely affected if, for example, a significant number of tenants were unable to pay rent or if significant portions of our Clients' properties were vacant and could not be rented on favorable terms. Our Clients will also be subject to risks inherent in activities related to land aggregation, including the potential difficulty to secure real estate loans for such activities or that such loans may require the posting of collateral or that hold outs may impede land aggregation efforts. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

Debt Financing Risks. For certain Clients, we engage in borrowings secured by such Clients' properties or assets, unsecured, or assumed by such Clients or their properties or assets. All or a portion of a Client's borrowings may be obtained from one or more of our affiliates. Such Clients will be subject to risks normally associated with debt financing, including the risk that its cash flow after debt service will be insufficient to accumulate sufficient cash for distributions, the risk that existing indebtedness on such Clients' properties (which is unlikely to be fully amortized at maturity) will not be able to be refinanced or that the terms of available refinancing will not be as favorable as the terms of existing indebtedness. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, it is possible that such Clients' cash flow may not be sufficient in all years to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real

estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect the financial condition, results of operations and cash flow of such Clients. If a property is mortgaged to secure payment of indebtedness and such Clients are unable to meet mortgage payments, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value to such Clients, which could have an adverse effect on the financial condition, results of operations and cash flow of such Clients.

Illiquidity of Investments. Because real estate investments are relatively illiquid, a Client's ability to promptly sell one or more properties in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. Additionally, real estate investments by their nature are often difficult or time-consuming to liquidate. We cannot predict whether we will be able to sell any property on behalf of our Clients for the price or on the terms set by our Clients or whether any price or other terms offered by a prospective purchaser would be acceptable to our Clients. We also cannot predict the length of time needed to find a willing and suitable purchaser. With respect to investments made in the form of securities, buyers for minority interests may be difficult to secure, while transfers of large block positions may be subject to legal, contractual or market restrictions.

Our Clients may be required to expend money to correct defects or to make improvements before a property can be sold. We cannot be certain that our Clients will have cash available to correct those defects or to make those improvements. In acquiring a property, we may agree to transfer restrictions that materially restrict our Clients from selling that property for a period of time or impose other restrictions, such as limitation on the amount of debt that can be placed or repaid on that property.

Directly Held Mortgages. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material and adverse effect on our cash flow from operations. If we foreclose on the collateral, we expect to obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. In addition, significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made on any property we own regardless of whether the property is producing any income.

Environmental Regulation. As is the case with any holder of real estate investments, our Clients that are invested in real estate could face substantial risk of loss from environmental claims based on environmental problems associated with their investments.

Real Estate Investment Program Risks. For Clients that invest in real estate or real estate-related securities or loans, the deterioration of real estate fundamentals in any geography will negatively impact such Clients' performance. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result of, for instance, overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, increase in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of the Adviser. The value of securities of companies which service the real estate business sector may also be affected by such risks.

REITs. Because we invest a portion of certain of our Clients' assets in REITs (including both REITs managed by others and private REITs managed by the Adviser), such Clients may also be subject to certain risks associated with direct investments in REITs. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income due to the failure to comply with specific regulations governing REIT status.

Other Strategy-Specific Risk Factors

Strategies Dependent on the Leasing and Remarketing of Aircraft. The investment strategies implemented on behalf of certain Clients involve investments in commercial aircraft lease transactions. The ability to lease and remarket its aircraft will depend on general market and competitive conditions at the time the initial leases are entered into and expire. If we, on behalf of such Client, are not able to lease or remarket an aircraft or to do so on favorable terms, such Client may be required to attempt to sell the aircraft to provide funds for debt service obligations or other expenses. The ability to lease, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by depressed conditions in the commercial aviation industry, airline bankruptcies, the effects of terrorism, war, natural disasters and/or epidemic diseases on airline passenger traffic trends, declines in the values of aircraft, and various other general market and competitive conditions and factors which are

outside of our control. If we, on behalf of a Client, are unable to lease and remarket its aircraft on favorable terms, such Client may incur substantial losses.

Aircraft Values and the Market Rates for Leases Could Decline. Aircraft values and market rates for leases have from time to time experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger demand, increases in fuel costs, government regulation and increases in interest rates. Operating leases place the risk of realization of residual values on aircraft lessors because only a portion of the equipment's value is covered by contractual cash flows at lease inception. In addition to factors linked to the commercial aviation industry generally, many other factors may affect the value of the aircraft that a Client acquires and market rates for leases, including:

- the particular maintenance, operating history and documentary records of the aircraft;
- the number of operators using that type of aircraft;
- aircraft age;
- the regulatory authority under which the aircraft is operated;
- any renegotiation of an existing lease on less favorable terms;
- the negotiability of clear title free from mechanics' liens and encumbrances;
- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft; and
- the availability of spare parts.

Any decrease in the value of aircraft that a Client acquires and market rates for leases, which may result from the above factors or other unanticipated factors, could cause such Client to incur substantial losses.

Risks Related to Healthcare Loans and Royalty-Backed Credit Investments. Certain investment strategies implemented on behalf of certain Clients involve investments through three primary structures: (i) senior-secured healthcare loans, (ii) royalty-backed credit, and (iii) product royalties. These structures involve a number of risks, including:

Product-Related Risk. The ability of a Client to generate returns will depend in part on the success of the pharmaceutical, biotechnology, specialty and generic pharmaceuticals, medical devices and products, laboratory and diagnostics products (the “**Products**”) related to the Client’s investments. To the extent any risks described below adversely affect sales of Products, potential returns for such Client will, in turn, be adversely affected.

Medical Products Sales Risk. Sales from Products may be lower than their historical levels or lower than the amounts projected due to pricing pressures, insufficient demand, product competition, lack of market acceptance, obsolescence, safety or efficacy issues, restrictions on distribution imposed or requested by regulatory authorities, narrowing of the approved indication(s) for use, additions of boxed warnings or other warnings or precautions to the labeling, manufacturing shortages, loss of patent protection or other factors.

Withdrawal Risk. After its regulatory approval and introduction into the market, a Product may still be subject to withdrawal from the market at the request or direction of the FDA or a non-U.S. regulatory body. The manufacturer or marketer of a Product may voluntarily withdraw the Product from the market for medical, technical, regulatory, commercial or other reasons. There can be no assurance that a Product will not be withdrawn.

Medical Product Competition. The healthcare industry is highly competitive and rapidly evolving. Each Product is subject to competition from alternative products or procedures that are now available, or that may be developed or become available in the future. The Products face competition from (i) products currently on the market that are approved for other indications, but may be subsequently approved for the same indications as those of the Products, (ii) off-label use of products approved for other indications, (iii) the introduction of new products or procedures, and/or (iv) improvements to existing products. Any of these changes may cause a Product to become more expensive than its competitors or less relevant as a therapeutic alternative, thereby decreasing the value of (and in some instances, rendering worthless) the expected revenue stream on that Product. In addition, a change of law could permit importation into the countries for which a Client is entitled to royalties for Product sales (the “**Protected Countries**”) of Products for which a Client may not be entitled to royalties, which would reduce the sales of royalty bearing Products.

Licensees of the Products (“**Licensees**”) are responsible for the development, production, marketing and sale of the Products. The sale of the Products and the Licensees’ ability to maintain their competitive positions are related to the success of the Licensees’ respective marketing efforts. These efforts rely, in part, on the strength and reputation of a Product’s brand name, the capabilities of the Licensee’s sales force, and underlying trademarks, trade names and related intellectual property. A Licensee’s activities both in marketing the Products and in protecting its intellectual property may be outside the control of a Client. A Licensee’s failure either to market the Products actively or to diligently protect its intellectual property

rights could reduce its competitive position. Other factors affecting the market position of the Products include their effectiveness, side effect profile, price and third-party insurance reimbursement policies.

Uncertainty Related to Healthcare Reimbursement and Reform Measures. In both the U.S. and foreign markets, sales of a health care company's products and its success depend in part on the availability of reimbursement from third-party payors, including government health administration authorities (such as Medicare or Medicaid in the United States), private health insurers, and other health management organizations. The revenues and profitability of life sciences companies may be affected by the continuing efforts of governmental and other payors to contain or reduce the costs of healthcare. Payors are increasingly challenging the prices charged for medical products and services that they reimburse. If the Products of the companies a Client invests in are determined to not meet the criteria for coverage or reimbursement, these organizations may not reimburse the Products or may at lower levels. Significant uncertainty exists as to the reimbursement status of newly approved products. There can be no assurance that a company's proposed product will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

In addition, changes in government legislation or regulation, changes in formulary or compendia listings, or changes in payors' policies may reduce reimbursement of such products. If reimbursement is reduced or is not available for a Product, sales would diminish and decrease cash flows available to satisfy royalty payment obligations, thereby harming such Client's revenue. In addition, macroeconomic factors may affect the ability of patients to pay for Products by, for example, diminishing the income patients have to pay out-of-pocket costs and/or obtain sufficient health insurance coverage.

Patent and Other Intellectual Property Rights May Be Challenged and/or Otherwise Compromised. The success of certain Clients' investments will frequently depend, at least in part, on the existence of valid and enforceable claims of issued patents and/or claims in pending patent applications in the United States and elsewhere throughout the world, and/or possibly on other forms of registered and/or unregistered intellectual property rights. For instance, in the case of royalty investments, the Client's right to receive payments will depend on the sales of Products covered by such intellectual property rights. In the case of credit investments in companies in the healthcare industry, these companies' performance and consequently the success of the Client's investments in these companies will similarly be dependent on these intellectual property rights. The patents, patent applications, and/or other intellectual property rights on which these royalty streams or other investments depend may be challenged, invalidated, rendered unenforceable or otherwise compromised. By way of example only, there can be no assurance that a third party will not assert ownership or other rights in or to any such patents, patent applications or other intellectual property, or that any patent

applications on which royalty streams or other investments may depend will proceed to grant. Similarly, there can be no assurance that, in the context of a patent challenge or otherwise, evidence such as prior art references, will not be uncovered that could have an adverse effect on the scope, validity or enforceability of any of the patents or on the patentability of any of the patent applications on which the royalty streams or other investments depend. Any challenge or other compromise of the patents, patent applications or other intellectual property rights on which the royalty streams or other investments depend may adversely affect the performance of the Client.

Challenges from the Licensees. Challenges to patent rights on which the royalty streams, and possibly other investments, may depend may come from Licensees as well as third parties. Pursuant to the Supreme Court decision of *Medimmune v. Genentech*, 549 U.S. 118, 127 S. Ct. 764 (2007), a licensee need not terminate its license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. Therefore, there can be no assurance that a Licensee paying royalties contributing to the royalty streams will not challenge patent rights on which those royalties are based.

C. Recommendation of a Particular Type of Security

We do not recommend any particular type of security. There are no material limitations to the types of securities in which we may invest our Clients (subject to certain restrictions or limitations to the contrary in the relevant IMA, offering document, or organizational documents of a particular Client). For a complete discussion of securities in which we may invest our Clients, please see Item 4(B), “Advisory Business, Description of Advisory Services,” above.

ITEM 9
DISCIPLINARY INFORMATION

To the best of our knowledge, there are no legal or disciplinary events that are material to our Clients' evaluation of our advisory business or the integrity of our management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

The Adviser and its management personnel are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

In addition to being a registered investment advisor, we are registered as a Commodity Pool Operator (“CPO”) and a Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading Commission (“CFTC”) and are a member of the National Futures Association (“NFA”). Specifically, Marathon Asset Management, LP is registered as a CPO and a CTA and a member of the NFA. Marathon Special Opportunity Fund GP, LLC, an affiliate of the Adviser and the general partner of Marathon Special Opportunities Fund, LP, is registered as a CPO and a member of the NFA.

Our management persons, Bruce Richards and Andrew Rabinowitz are registered with the NFA as principals, but not associated persons, of Marathon Asset Management, LP and Marathon Special Opportunity Fund GP, LLC. Louis Hanover, another management person, is registered with the NFA as a principal and associated person of Marathon Asset Management, LP and Marathon Special Opportunity Fund GP, LLC. Scot Pasquale and Christine Chartouni are also registered as principals of Marathon Asset Management, LP. In addition, Marathon Asset Management GP, LLC is registered with the NFA as a principal of Marathon Asset Management, LP.

Our activities as a CPO or a CTA enable us to use commodities as part of our investment strategies on behalf of certain Clients and do not conflict with our overall investment advisory business.

The Adviser and its management personnel are not registered as futures commission merchants (“FCM”) and do not have any application pending to register with the CFTC or the NFA as a FCM or associated person of a FCM.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our Clients and our affiliates are material to our advisory business. The Adviser and its respective members, officers and employees manage and advise multiple Funds and Accounts, including, but not limited to, the private funds listed in our Section 7.B, Schedule D, of our Form ADV Part 1.

Various entities that are affiliated with the Adviser serve as general partners to certain of these Funds. In addition, the Adviser currently acts, and expects to act in the future, as the investment manager to other investment vehicles and accounts, including Funds and Accounts that

may invest in Funds with which the Adviser is affiliated. There is no limit on the number of vehicles or accounts that may be managed or advised by the Adviser.

In certain instances, Marathon Asset Management, LP may engage relying advisers or other entities to provide services to Clients. For instance, Marathon Asset Management, LP has entered into a sub-management agreement with MCAP Global Finance (UK) LLP (“**Global Finance**”), a wholly owned subsidiary of Marathon Asset Management, LP and a relying adviser, whereby Global Finance assists in the management of certain Client assets on a discretionary basis. Marathon Asset Management, LP does not receive any additional compensation from its use of Global Finance and we believe such use does not create any material conflicts of interest. Marathon Asset Management Japan, an affiliate of the Adviser, has been formed with the intention of providing regional marketing assistance to the Adviser in Japan and other Asian jurisdictions.

Moreover, in the future, affiliates may receive fees in respect of their services to Clients. Although any fees incurred and paid to affiliates will likely not exceed fees already paid by Clients on an annual basis at the time of such engagement, and are expected to be competitive with the market, on a relative basis, on a going-forward basis, there is an incentive for the Adviser to employ such affiliates rather than third-parties.

Finally, as the Adviser manages multiple Clients, it is subject to potential conflicts of interest in allocating time and resources to such other Clients. In addition, the Adviser and its personnel have investments in their own names and in certain of the entities managed by the Adviser. As a result of the foregoing, the Adviser and its personnel are subject to potential conflicts of interest in allocating their time and activity between Clients, in allocating investments among Clients and other entities, and in effecting transactions between Clients and other entities, including ones in which the Adviser or its personnel have a greater financial interest.

To address these potential conflicts of interests in its material relationships, the Adviser has adopted policies and procedures, including a Code of Ethics and the Allocation Procedures. Under the Code of Ethics, in general, all personnel of the Adviser, including directors, officers, and employees of the Adviser, must put the interests of the Adviser’s Clients first and must act honestly and fairly in all respects in dealings with Clients. For a more detailed discussion of the Adviser’s Code of Ethics and conflicts of interest policies, please see Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading,” below.

Under our Allocation Procedures, it is our policy that, in allocating investment opportunities, all Clients should be treated fairly and that, to the extent possible, all Clients should receive equivalent treatment over time. To that end, we have established an Allocation Committee, which establishes and/or periodically reviews the allocation strategy and criteria, concentration limits and portfolio construction guidelines for investment advisory Clients managed by us. Notwithstanding the foregoing, in certain situations, certain Clients can be expected to receive priority or unweighted allocations. See Item 6.

With respect to any Registered Fund, Section 17 of the 1940 Act prohibits many transactions between a Registered Fund and certain affiliated persons of that Registered Fund (or an affiliated person of such an affiliated person (a “**Second Tier Affiliate**”)) and certain investments in affiliated persons or Second Tier Affiliates. The Adviser may only execute

securities transactions for a Registered Fund in accordance with relevant regulations, including Section 17 of the 1940 Act. The Adviser's policies and procedures includes guidance regarding the application of such policies and procedures to a Registered Fund.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Except as disclosed in Item 10, "Other Financial Industry Activities and Affiliations," we do not recommend or select other investment advisers for our Clients.

E. Co-Investment Opportunities

The Adviser, from time to time, in accordance with its Allocation Procedures, offers certain investors or Clients the right or opportunity to co-invest with other Clients in certain portfolio investments. The Adviser is generally not obligated to arrange co-investment opportunities for all investors in a Client or all Clients, and investors and Clients generally will not be entitled or have any right to participate in such an opportunity solely by reason of being a Client or an investor in a Client. The Adviser's decision to offer (or not offer) co-investment opportunities to any investor generally will be made in its sole discretion, and the Adviser may allocate co-investment opportunities instead to investors in other Clients or to third parties in accordance with its Allocation Procedures. The Adviser may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Clients.

The Adviser generally may offer such opportunities in instances in which the amount available for investment exceeds the amount the Adviser believes should be invested by the Clients. The Adviser may also offer co-investment opportunities to other persons or entities (including the Clients' portfolio companies) based on a number of factors as set forth in the Allocation Procedures.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics

High ethical standards are essential for the success of the Adviser and to maintain the confidence of our Clients and investors in the Funds. The Adviser's long-term business interests are best served by adherence to the principle that the interests of Clients come first. We have a fiduciary duty to Clients to act solely for the benefit of our Clients. All personnel of the Adviser, including directors, officers and employees of the Adviser, must put the interests of the Adviser's Clients before their own personal interests and must act honestly and fairly in all respects in dealings with Clients. All personnel of the Adviser must also comply with all federal securities laws.

In recognition of the Adviser's fiduciary duty to its Clients and the Adviser's desire to maintain its high ethical standards, the Adviser adopted a Code of Ethics, pursuant to Rule 204A-1, promulgated under the Investment Advisers Act, containing provisions designed to prevent improper personal trading, identify conflicts of interest, and provide a means to resolve any actual or potential conflicts in favor of the Adviser's Clients. Clients or prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting our Chief Compliance Officer, Christine Chartouni, at (212) 500-3179 or cchartouni@marathonfund.com. The Adviser's Code of Ethics also satisfies Rule 17j-1 of the 1940 Act with respect to a Registered Fund.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests

Conflicts of interest may occur when we, or our related persons, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients. For example, the Adviser and its related persons may invest their personal funds in the Funds, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. In addition, certain employees of the Adviser may own securities in their personal accounts that are also recommended by the Adviser to its Clients. If the Adviser, on behalf of its Clients, invests in the securities of its affiliates or related persons or otherwise engages in cross transactions, the Adviser could also have a conflict of interest. Further, a related entity of the Adviser is the general partner of certain of the Funds. The Adviser has established procedures, including a Code of Ethics and a personal trading policy, intended to limit conflicts of interest in cases where the Adviser, a related person or any employee, buys, sells or otherwise has an interest in, securities recommended by the Adviser to its Clients. For a full description of our Code of Ethics and Personal Trading Policy, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," above.

On occasion, the Adviser may deem it to be in the best interests of its Clients for one Client to invest in another Client (such as a Fund or a CLO), for two or more Clients to transact with one another, or to otherwise reallocate securities transactions between Clients. Such cross trades may

occur in situations when a security, in the Adviser's view, has become more appropriate for a different Client account in light of current market conditions, taking into consideration among other factors without limitation, each Client's liquidity, portfolio concentrations, leverage, risk profile and anticipated market opportunities. Cross trades may also be executed in situations where the Adviser has determined it is appropriate to rebalance Client accounts, when a Client account is disposing of securities in connection with redemptions or liquidations or in anticipation of financing transactions that will benefit multiple Client accounts. Similarly, on rare occasion, the Adviser may enter into "principal transactions" in which the Adviser or an affiliate act as principal for its own account with respect to the sale of a security to or purchase of a security from another Client. The Adviser maintains policies and procedures, including the review and oversight of such transactions, intended to limit the potential conflicts of interest inherent in one Client investing in another Client, cross transactions or principal transactions. The Adviser's policies and procedures seek to ensure that all cross trades and principal transactions must be, in the reasonable determination of the Adviser, in the best interests of each Client participating therein. Such transactions will comply with all fiduciary requirements and any legal or other requirements established by the Adviser for the benefit of each of the Clients which participate in such transaction and will be executed at market price or fair value, measured in accordance with the Adviser's valuation policies and procedures. In accordance with such policies and procedures, the Adviser will generally rely on a BWIC ("bid wanted in competition") process and third party vendors, such as IHS Markit and others, to mark readily tradeable fixed income securities. In the context of a cross trade, such a price discovery process (as opposed to an "offer wanted in competition" process) may favor the selling client over the purchasing Client. Similarly, for highly illiquid assets (i.e., Level III assets), the Adviser will typically generate a mark by assessing both a valuation report provided by a third party valuation agent and the Adviser's internal valuation process. Although the Adviser believes that its valuation process allows it to arrive at a fair value for such assets, the discretionary aspects of the process may result in a particular client being favored in a cross trade. For example, when a more conservative valuation is used in the context of a cross trade, the purchasing client may be favored over the selling client. The Adviser will receive no transaction-based compensation in connection with cross trades (other than the management fees and incentive allocations/fees otherwise payable by the Clients' participating in such transaction).

Cross transactions with a Registered Fund must meet specified conditions and will be effected in accordance with the Registered Fund's Rule 17a-7 procedures. Cross transactions involving a Registered Fund will not be made if the parties to the transaction are affiliated in a manner not permitted by Rule 17a-7, as modified by no-action letters issued by the SEC. Generally, a cross transaction by the Adviser acting as principal for its own account is prohibited where a Registered Fund would be a party to the transaction.

At least semi-annually, the CCO, the Chief Financial Officer, the Chief Risk Officer and a member of the risk team, will meet to review any cross trades over the past period to confirm that they represented best execution in a manner consistent with the Adviser's policies and procedures.

Personal Trading

We believe restricting our employees' personal trading is one way of avoiding conflicts of interest between our Clients and our employees. Our personal trading policies are part of our Code

of Ethics. For a full description of our Code of Ethics, please see Item 11(A), “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, Code of Ethics,” above.

Our Code of Ethics governs personal trading by our personnel. Generally, the Code of Ethics requires any partner, officer, director, manager, member, supervised person, or employee of the Adviser, or other person who provides investment advice on behalf of the Adviser and is subject to the supervision and control of the Adviser (i) who has access to nonpublic information regarding any Client’s purchase or sale of securities, or nonpublic information regarding any Client’s portfolio holdings or (ii) who is involved in making securities recommendations to Clients (or who has access to such recommendations that are nonpublic) to obtain the prior written approval of our Chief Compliance Officer or her designee before engaging in a securities transaction in his or her personal account.

Generally, if the securities transaction involves restricted securities, the transaction will not be approved for personal trading. Restricted securities are companies or issuers whose securities are subject to the Adviser’s imposed trading activity prohibitions or restrictions. It is the policy of the Adviser that all personnel shall strictly observe such trading activity prohibitions or restrictions.

In addition, in general, the personnel covered by the Adviser’s personal trading policy must provide our Chief Compliance Officer or her designee with (i) all of their securities holdings at the commencement of employment with the Adviser, (ii) monthly or quarterly brokerage statements, and (iii) quarterly reports of any securities transactions not previously reported on a brokerage statement. Furthermore, the personal accounts of the personnel covered by the Adviser’s personal trading policy will be reviewed on a regular basis and compared with transactions for the Clients and against any restricted securities. Any transactions that are believed to be a violation of the Adviser’s personal trading policy will be reported promptly to the management of the Adviser.

ITEM 12

BROKERAGE PRACTICES

Pursuant to each Client's IMA, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our Clients; however, our selection of the broker or dealer may be tailored to a particular Client's investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of such broker's provision or payment of the costs of research and other services.

A. Selection of Broker-Dealers and Reasonableness of Compensation

We have a duty to obtain "best execution" of the securities transactions being effected for our Clients. To fulfill this obligation, as a general matter, we must execute securities transactions in such a manner that the Client's total cost in the transaction is the most favorable under the circumstances subject to the considerations that follow. However, the SEC has stated that in deciding what constitutes best execution, the determinative factor is not necessarily the lowest possible commission cost, but whether the transaction represents the best qualitative execution. In seeking best execution, we consider the full range of the broker's services on our behalf and on behalf of our Clients, including the value of research provided and execution capability, commission rate, financing rates and financial reputation, responsibility and responsiveness. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

We have established general criteria to determine which brokers are qualified to provide brokerage services to our Clients, and consider, among others, the following relevant factors:

- available information regarding the financial reputation and stability of the broker;
- the actual executed price of the security and the broker's commission and finance rates;
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities;
- the brokers inventory of, and ability to obtain, "hard to locate" securities;
- the size and type of the transaction;
- the difficulty of execution and the ability to handle difficult trades;
- the operational facilities of the brokers and/or dealers involved (including back office efficiency); and
- the ability to handle a block order for securities and distribution capabilities.

To ascertain the reasonableness of a broker's compensation, we periodically spot check execution prices against electronic pricing service data and runs times and sales reports to ensure that brokers are obtaining market prices. In addition, at least semi-annually, selected employees of the Adviser will meet to evaluate systematically the execution performance of our brokers.

1. Research and Other Soft Dollar Arrangements

While the Adviser generally does not enter into traditional "soft dollar" arrangements, the Adviser cannot be certain that it does not "pay-up" for the execution of trades; thus, a Fund or Account may be deemed to be paying for research services provided by the broker. Research and related products or services furnished by brokers will be limited to services that constitute research within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, research and related products or services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services utilized in the investment management process. The research and related products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained by the use of commissions arising from a Fund's or Account's portfolio transactions may not only benefit such Fund's or Account's trading, but may be used by the Adviser in its other investment activities.

When we receive research or other products or services from brokers or dealers to whom we direct trades, we may receive a benefit because we do not have to produce or pay for such research, products, or services. The receipt of research and other "soft-dollar" benefits from broker-dealers may provide an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients' interest in receiving the most favorable execution. Using a broker who provides us with research or other "soft-dollar" benefits may cause Clients to pay commissions higher than the commissions charged by broker-dealers who do not so provide.

In the last fiscal year, we acquired the following types of research and related products or services from brokers with whom we did business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services, along with software, databases and other technical and telecommunication services utilized in the investment management process.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive Client or investor referrals from a broker-dealer or other third party.

We may attend events sponsored by certain broker-dealers in which we may be introduced to prospective clients or investors; however, such events or introductions are not a material factor in our selection or recommendation of such broker-dealers.

The Adviser will not compensate any broker-dealer for promoting or selling shares of a Registered Fund.

3. Directed Brokerage

“Directed brokerage” refers to instances in which a client retains the discretion to choose brokers and instructs the Adviser to direct portfolio transactions to a particular broker-dealer. Directed Brokerage restricts the Adviser’s discretion to select brokers and negotiate commission rates and may adversely affect the Adviser’s ability to obtain best price and execution. Accordingly, if a Client were to direct brokerage to a specific broker, the Adviser would require (i) the Client to provide such direction in writing to the Adviser and (ii) the Adviser would provide the Client with appropriate written disclosure, which will be acknowledged by the Client.

B. Aggregating Orders for Various Client Accounts

In certain instances, we aggregate orders on behalf of certain of our Clients for trade execution. When trades are aggregated, each participating account will generally be allocated securities on an average price basis. More specifically, each Client that participates in an aggregated order will generally participate at the average share price for all of the Adviser’s transactions in that security or other instrument on a given business day and transaction costs will generally be shared pro rata based on each Client’s participation in the transaction. No Client will be favored over any other Client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single Client. The Adviser believes that its aggregation policy is lawful and consistent with its duty to seek best execution for all its Clients. As noted above, the Adviser’s policies and procedures include specific policies and procedures applicable to any Registered Fund.

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

Our Chief Executive Officer, Chief Investment Officer, Chief Operating Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer or their respective designee reviews on a daily basis the portfolios of all of our Clients. These portfolios are monitored in light of trading activity, significant corporate developments, and other activities which may dictate a change in portfolio positions.

B. Additional Review of Client Accounts

If a decision is made to purchase or sell with respect to such holdings, each Client holding such security is reviewed in full prior to selling or purchasing the security for such Client. In addition, Clients are either reviewed periodically from the standpoint of the specific investment objectives of the Client or as particular situations may dictate.

C. Contents and Frequency of Account Reports to Clients

Subject to each Fund's governing documents, investors in the Funds generally receive monthly or quarterly statements from the administrator of the Fund or Funds in which they invest. In addition, investors may be supplied with a commentary on each month's or quarter's performance in monthly or quarterly letters. Investors are provided with a copy of the annual audit of the Funds in which they invest conducted by a certified public accountant. Generally, each Fund issues Quarterly Position Reports to the investors in such Fund. The Adviser may conduct at least one teleconference annually, during which current events affecting one or more Funds are discussed; all applicable investors are invited to join the teleconferences.

Reports are provided to the Accounts as specified and agreed to on a case by case basis and set forth in a particular Account's IMA or otherwise. CLO investors generally receive monthly portfolio reports and quarterly payment reports.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

Except as otherwise disclosed in this brochure, we do not receive any economic benefit from anyone, other than our Clients, for providing investment advice or advisory services to our Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

We have engaged one or more placement agents to solicit certain types of prospective investors for investments in certain Funds. We may in the future engage additional placement agents or solicitors to obtain potential clients, including potential underlying investors for the Funds. Such placement agents or solicitors may receive a cash referral fee, directly or indirectly, from us or the Funds (as applicable). To address potential conflicts of interest, we generally require such placement agents or solicitors to provide details, or we provide details, of any referral fees relating to a particular potential client or potential underlying investor to that client or investor at the time of any solicitation activities. In the event we decide to pay for client solicitations or referrals, our Chief Compliance Officer or her designee will determine whether such arrangements: (i) are subject to Rule 206(4)-3 under the Investment Advisers Act, the Cash Solicitation Rule, and, if so, whether the arrangements comply with that rule; and (ii) comply with other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers.

ITEM 15 CUSTODY

Rule 206(4)-2 promulgated under the Investment Advisers Act (the “**Custody Rule**”) (and certain related rules and regulations under the Investment Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, FCM and certain foreign financial institutions.

Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, we need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, all limited partners, members or other beneficial owners, within 120 days of its fiscal year end. The Adviser intends to rely upon this exception in respect of each of its Funds by distributing the Fund’s audited financial statements to its investors within the requisite time frame and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

The Custody Rule does not apply with respect to any Registered Fund. Custody of the assets of any Registered Fund will be maintained in accordance with the Registered Fund’s policies and procedures under Section 17(f) under the 1940 Act.

ITEM 16

INVESTMENT DISCRETION

In general, our Clients have provided us with discretion to trade their account without obtaining their consent to each particular transaction. We exercise this discretion subject to the investment objectives, policies, limitations, and restrictions, if any, imposed by a Client in an IMA or other applicable agreement, such as a Fund's organizational or offering documents. In these agreements, our Clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments, percentage limits on permitted investments or prohibiting certain types of investments. The relationship between (i) the Adviser and any Registered Fund is governed by the relevant Sub-Advisory Agreement and (ii) the Adviser and any UCITS Fund is governed by the relevant Sub-Discretionary Advisory Agreement. In other limited instances, we have been retained by Clients to provide non-discretionary advice or provide our advice to Clients subject to their approval prior to making certain investments on their behalf.

Our Clients must specify our authority, discretionary or non-discretionary, and provide us with any investment guidelines and restrictions in writing, typically as part of the IMA or by amending the IMA. For a complete discussion of our advisory business and the services we provide to our Clients, please see Item 4, "Advisory Business," above.

ITEM 17

VOTING CLIENT SECURITIES

We have, and in the future will continue to accept, the authority to vote our Clients' securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 promulgated under the Investment Advisers Act and with our fiduciary obligations (the "**Proxy Voting Policies**"). The Proxy Voting Policies are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser has supplemented the Proxy Voting Policies to provide additional guidance regarding application of such policies and procedures to a Registered Fund.

The Proxy Voting Policies require that the Adviser identify and address conflicts of interest between the Adviser and its Clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Proxy Voting Policies is in the best interests of the Client or take some other appropriate action. Pursuant to the Proxy Voting Policies, the Adviser need not vote all proxies received by a Fund or an Account when it makes a good faith determination it is in the Client's best interest not to vote. It is the Adviser's general policy not to vote proxies for securities that are not held in a Client's account at the time such proxy is received or on the vote date of such proxy as the Adviser has determined that the limited benefit of such votes do not justify the costs and resources associated with voting such proxies. However, in situations where the Adviser does vote, the Adviser shall cast ballots in a manner it believes to be consistent with the interests of its Clients and shall not subordinate Client interests to its own. In some instances, the disparate interests of the Funds or Accounts may make it difficult for the Adviser to determine a manner in which to vote. The Adviser will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

If a Client has authorized us to vote proxies on its behalf, we will generally not accept instructions from the Client regarding how to vote on a particular proxy or solicitation. We will maintain proper records in connection with our Proxy Voting Policies, as required under the Investment Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policies and information on how we have voted specific proxies by contacting our Chief Compliance Officer, Christine Chartouni, at (212) 500-3179 or cchartouni@marathonfund.com.

ITEM 18
FINANCIAL INFORMATION

A. Balance Sheet

We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

B. Contractual Commitments to Our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.